



MINNESOTA GROCERS ASSOCIATION

533 St. Clair Ave. ♦ St. Paul, MN 55102 ♦ TEL: 651-228-0973 ♦ 1-800-966-8352 ♦ FAX: 651-228-1949 ♦ mga@mngrocers.com

February 21, 2011

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Debit Card Interchange Fees and Routing [Regulation II; Docket No. R-1404]

Dear Ms. Johnson,

Thank you for the opportunity to comment on the proposed rules regarding debit interchange rates. It is crucial to the food retail industry that the Durbin Amendment to the Dodd-Frank legislation is implemented as soon as possible, as these fees continue to escalate.

When assigning fees to debit cards, we prefer that you enact the seven cent safe harbor with a twelve cent cap. While this will still provide the banks with large profits, it is the closer of the two options to checks, as is prescribed in the law. Ideally, the Board will consider a 4 cent weighted average that is more like the system in place for checks.

It is also critical that there is proper oversight determining which banks are exempt from this law. It will be very difficult for a processor, issuer or retailer to know if a bank is subject to regulation under this law. The board will have to ensure that the law is being followed as designed.

More choices lead to more competition. That is why it is imperative that the Federal Reserve enacts rules calling for two unaffiliated networks for each type of authorization method. This competition will benefit everyone by creating a true marketplace, which is what was intended by Congress.

The fraud adjustment rule will be very difficult to implement. It is vital that the board does not let this clause hold up the rest of this rules package. Issuers and merchants share the burden of fraud costs, and out of necessity will work together to develop a system that is more secure than PIN. To that end, it is essential that the Board leaves this portion of the rules as open as possible, allowing for new technologies that will make electronic payments safer for consumers, stores, and banks.

The Minnesota Grocers Association stands ready to answer any questions you may have about how the Durbin Amendment affects our industry.

Sincerely,

Jamie L. Pfuhl
President

The MGA is a state trade association representing the food retail industry since 1897. We have over 200 retail members with nearly 1,100 stores statewide, as well as approximately 100 distributors and manufacturers. Our member companies employ over 125,000 union and non-union Minnesotans. We actively advance the common interest of all those engaged in any aspect of the retail food industry as a leader and advocate in government affairs.